



Statement of Estimated Fund Balance

FUND DESCRIPTIONS

Listed below are descriptions of the City's major funds. All of these funds are appropriated on an annual basis.

- The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources, except those required or requested in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant portion of the General Fund's revenues is used to finance the operations of the City of Alexandria School Board. As of June 30, 2020, total fund balance in the City's General Fund was \$152.8 million, comprised of Reservations (\$7.1 million), Commitments and Assignments (\$60 million) and Uncommitted and Unassigned Fund Balance of \$85.7 million.
- The Special Revenue Fund accounts for resources restricted to expenditures for specified purposes (for example, State and federal grants). As of June 30, 2020, the Special Revenue Fund total fund balance was \$122.3 million. Funds included in this category include the Housing Fund, Sewer and Stormwater Funds, Potomac Yard and Other Special Revenue Funds. Because monies budgeted within the Special Revenue Fund are generally legally restricted to specific activities or programs, these monies are not considered available for appropriation to meet general expenditure requirements. Unexpended Special Revenue Fund monies are generally due to intergovernmental grant timing differences (e.g., a grant awarded to the City for a program operated under the federal fiscal year of October 1 to September 30), or due to allocations for capital expenditures which may take several years to draw down; and remaining Special Revenue funds at June 30 are reappropriated for use in the subsequent City fiscal year for the continuation of the designated programs.
- The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. As of June 30, 2020, the Capital Projects Fund had a total fund balance of \$400.7 million in funded capital projects that are awaiting, or are in the process of implementation. Nearly half of the fund balance total is bond proceeds that were issued in November 2019 to fund the Potomac Yard Metrorail Station project..
- The Internal Services Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The City established the Equipment Replacement Fund for purposes of providing for the accumulation of money to replace capital equipment items used in City operations. This fund derives its revenues from periodic equipment rental charges assessed to the user departments in the governmental funds. These revenues are then used to finance charges and associated expenditures to replace capital equipment. As of June 30, 2020, the Equipment Replacement Internal Services Fund had Total Net Position of \$28.0 million. Equipment Replacement monies are accrued for the scheduled replacement of capital equipment, and thus are not available for appropriation to meet general expenditure requirements.
- The Alexandria Transit Company Fund accounts for the financing of for the City's transit activity. The Alexandria Transit Company is a blended entity and is considered a major fund. As of June 30, 2020, the Alexandria Transit Company had a total Fund Balance of -\$0.3 million. This is due to timing and cash flow issues and is expected to be resolved in FY 2021.



Statement of Estimated Fund Balance

FUND DESCRIPTIONS

Commitments and Assignments Estimated for Fiscal Year 2022

The fiscal year 2022 Operating Budget contains the following commitments of fund balances estimated to be available as of June 30, 2021. City Council approval of the FY 2022 operating budget constitutes reaffirmation of the fund balance commitments, which have been in place for many years. Final assignments of fund balance will be determined as part of the fiscal year FY 2021 closing process.

Commitments

- \$5,000,000 for the City's self-insurance reserve.
- \$5,000,000 for encumbrances estimated to be obligated at the end of the year;

Assignments (to be finalized with FY 2021 close-out)

- \$19,000,000 to fund capital projects including \$19 million for projects contained in the FY 2022—FY 2031 Capital Improvement Program budget.
- \$10,000,000 to fund the FY 2022 operating budget.
- \$3,000,000 for City and ACPS costs resulting from extraordinary natural disasters and emergencies. This Assignment is expected to be utilized to help fund the FY 2020 budget, but additional funds will be reassigned to ensure available resources;
- \$3,000,000 for an economic downturn contingency. These funds have been assigned to mitigate the effects of potential future economic impacts to the City. It is not anticipated to be used for lost grant or other special revenues, nor should it be utilized for long term economic impacts, which should be addressed through systematic, operational adjustments.
- \$3,000,000 for projects and initiatives that are estimated to be approved but not yet under contract at year's end, such as City Council contingent reserve initiatives;
- \$1,000,000 for economic development incentives to grow the City's commercial tax base;
- \$1,000,000 to cover accrued leave payments for City employees who separate from the City, either through retirement or voluntary/involuntary termination; and

These commitments and assignments total \$50,000,000. Despite being designated for a particular purpose, the funds identified here are considered "spendable." When combined with the portion of fund balance that has not been assigned or committed by anyone for any purpose, this total amount is called "spendable" fund balance. Based on projected revenues in FY 2021, the uncommitted/unassigned General Fund Balance at June 30, 2021, is currently estimated to be \$85.9 million, which is slightly more than FY 2020. Assignments that are critical (Economic Downturn Contingency and Emergency Response) have been maintained, as have the assignments for discretionary spending, such as FY 2021 year end incomplete projects. In addition, the assignment for subsequent Capital Improvement Program projects remains at \$19 million at the end of FY 2021, including \$10 million for projects in FY 2021 and \$9 million in the remaining 9 years of the CIP.



Statement of Estimated Fund Balance

FUND DESCRIPTIONS

The spendable General Fund balance is estimated to be \$135.9 million or 18.64 percent of estimated General Fund revenues. Spendable Fund Balance is declining by \$9.8 million. At this time, in early February 2021, revenues and expenditures in the General Fund for year end FY 2021 are forecast to be approximately equal, with a slight surplus of \$0.8 million. The reduction in fund balance is the result of the appropriation of \$10 million committed for the FY 2021 CIP and the appropriation of \$0.6 million in TIP fund balance, offset by the small surplus.

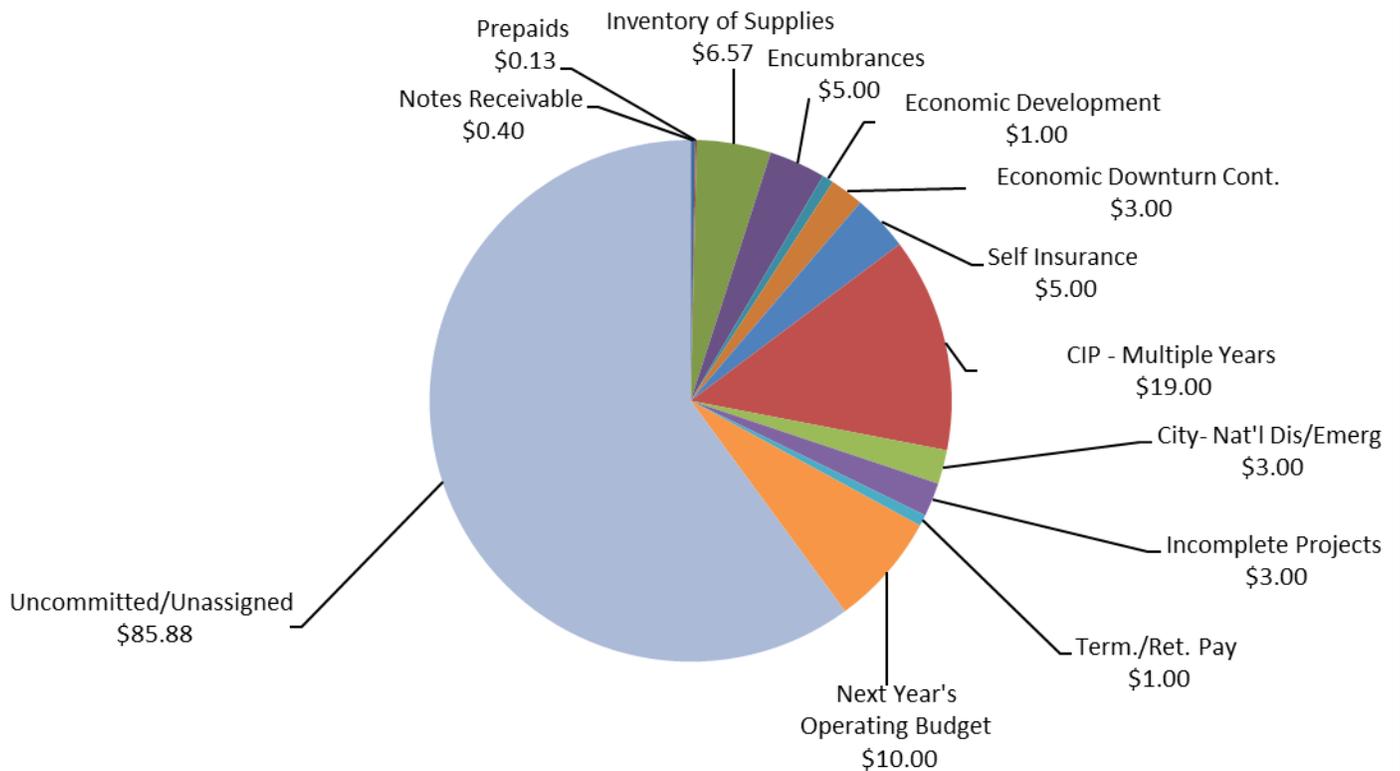
In November 2019, City Council updated the Debt-Related Financial Policies to eliminate the ratio related to Uncommitted/Unassigned Fund Balance as a percent of General Fund Revenue. At the same time they established a 15 percent target for Spendable Fund Balance as a percentage of General Fund Revenue. The policies as they were adopted also eliminated a defined limit. The City Manager and financial staff will continue to closely monitor Fund Balance and the operating budget and consider making changes to future commitments and recommend spending restrictions in the future, if necessary, to ensure that the ratios established in the City's Financial Policies are maintained, if not exceeded. The bond rating agencies (Moody's and S&P) have encouraged the City, as well as other localities, to maintain even higher fund balances, as extra protection for bond holders. The City has not used Fund Balance to support operating expenditures since FY 2014. In the past five years, the City has been able to increase Spendable Fund Balance from \$62.7 million in FY 2014 to \$145.7 million in FY 2020. Despite concerns, the City avoided using Fund Balance in FY 2021 to support operating expenditures through a hiring freeze and a significant reduction in the use of planned cash capital. The use of fund balance in FY 2021 is only expected to be needed to fund the CIP, not to support operating expenditures. It should be noted that revenues continue to be impacted by the pandemic and although CARES funding was available to support the City's response through the first half of the fiscal year, there are many uncertainties that could potentially impact the City's projected FY 2021 year end estimates.



Statement of Estimated Fund Balance

GENERAL FUND BALANCE COMPONENTS

Estimated Fund Balance as of June 30, 2021
\$142.98 million



The following chart shows all of the potential components of General Fund balance as of June 30, 2020. Assignments have yet to be finalized. With the exception of \$0.4 million in Notes Receivable and \$6.57 million in inventory of supplies, all of the components shown below are considered spendable fund balance.

Statement of Estimated Fund Balance



FUND DESCRIPTIONS

Spendable General Fund Balance is the accumulated total of all prior years' actual General Fund revenues in excess of expenditures — often referred to as "surplus" — that is available for appropriation by City Council. This is in comparison to the Unspendable General Fund Balance that represents monies that have been reserved to pay for legal obligations of the City such as for certain purchase order encumbrances. Maintaining a prudent level of spendable General Fund balance is critical to ensuring that the City is able to cope with financial emergencies and fluctuations in revenue cycles. Spendable General Fund Balance also provides working capital during temporary periods when expenditures exceed revenues.

A portion of the spendable fund balance is committed or assigned (designated) for specific uses on a contingency basis. In order to be available, the funds still must be appropriated by City Council in a future appropriations ordinance. Committed and Assigned fund balance are funds "earmarked" to help the City offset the costs of a specific type of obligation. Although technically available for appropriation, these monies are not generally considered available to fund other program or service requirements by the City Manager or the City Council under the City's adopted financial policies. Uncommitted and unassigned fund balance are the monies considered to be the City's available fund balance. As with all monies in fund balance, if used, it is a one-time source of revenue.

The graph on the following page shows total actual Spendable General Fund balance from FY 2012 through FY 2020 and an estimate as of June 30, 2021. Spendable fund balance (the total amount available for appropriation, regardless of assignments and commitments) is projected to be \$135.9 million as of June 30, 2021, which represents 18.64 percent of FY 2021 estimated General Fund Revenues. Uncommitted and unassigned fund balance totals \$85.9 million which will help to protect the City and Schools against future budget uncertainties.

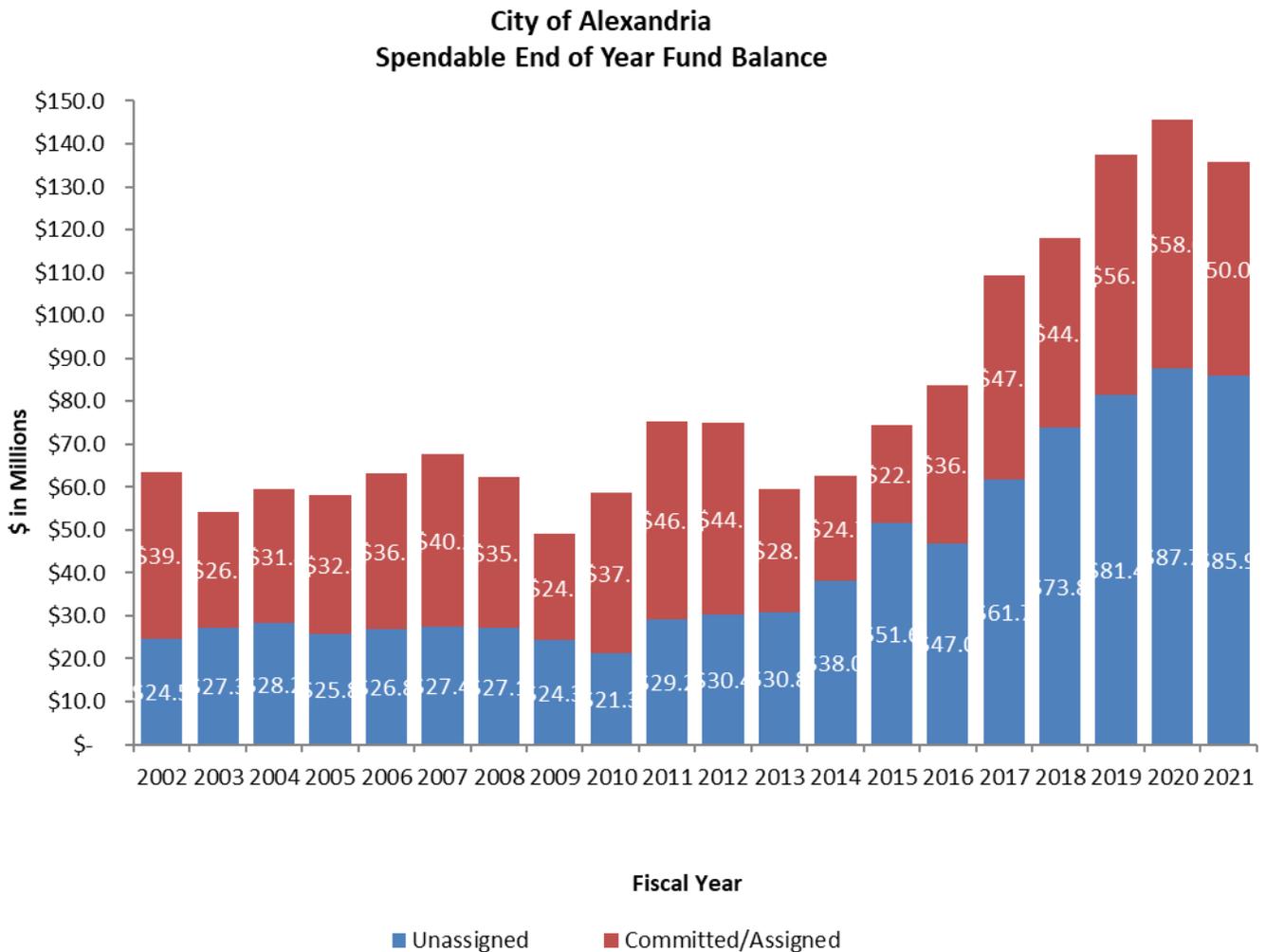
The details of commitments and assignments from FY 2019 through the estimated assignments of FY 2021 are shown in the table on page 7. It should be noted that commitments have been confirmed by City Council. The City Manager can propose or recommend assignments. From an accounting standards definitional point of view, either of these designations is considered spendable fund balance. In reality, many of these accounts are only spendable in the case of unforeseen dire circumstances when current year budgeted resources would not be sufficient to address any unforeseen expenditures.

Statement of Estimated Fund Balance



HISTORY OF GENERAL FUND BALANCE

The chart below shows the history of fund balance at the end of the year, including the actual balance from FY 2002 through FY 2020 and an estimate for FY 2021 based on current revenue and expenditure projections. This does not reflect reserved (unspendable) fund balance, but is considered "spendable" regardless of whether it is committed or assigned.





Statement of Estimated Fund Balance

HISTORY OF END OF YEAR FUND BALANCE ACTUAL 2019 AND 2020 AND 2021 FORECAST

	2019	2020	2021
Spendable Fund Balance End of Year	\$ 137,529,030	\$ 145,698,238	\$ 135,884,810
Commitments and Assignments			
Operating Funds			
FY 2021 Capital Improvement Program	19,000,000	19,000,000	-
Subsequent CIP (FY 2022 and Beyond)			19,000,000
Subsequent Year Operating Budget	8,000,000	16,000,000	10,000,000
Self Insurance	5,000,000	5,000,000	5,000,000
New Incomplete Projects	6,653,822	3,057,222	3,000,000
Encumbrances	4,360,247	4,336,383	5,000,000
Transportation/Stormwater Fund	708,540	585,829	-
Natural Disasters/Emergencies/Response	3,000,000	3,000,000	3,000,000
Economic Downturn Contingency	5,000,000	5,000,000	3,000,000
Economic Development Incentives	1,400,000	1,000,000	1,000,000
Leave Payout	1,000,000	1,000,000	1,000,000
Stormwater Initiatives		2,000,000	-
Regional Transportation	2,000,000	-	-
Total Commitments & Assignments¹	\$ 56,122,609	\$ 59,979,434	\$ 50,000,000
Uncommitted/Unassigned Fund Balance	\$ 81,406,421	\$ 85,718,804	\$ 85,884,810
Reservations/nonspendable	\$ 5,685,676	\$ 7,101,792	\$ 7,101,792
Total Fund Balance EOY	\$ 143,214,706	\$ 152,800,030	\$ 142,986,602
General Fund Revenues	744,307,421	729,564,020	728,915,208
Estimated Spendable Fund Balance as % of General Fund Revenues Limit = 10%	18.48%	19.97%	18.64%
Fund Balance at End of FY	\$ 143,214,706	\$ 152,800,030	\$ 142,986,602

¹ Assignments to be finalized as part of the FY 2021 closeout



Statement of Estimated Fund Balance

Governmental Funds				Proprietary Funds	
	Special Revenue Funds/ ¹	Capital Projects Fund/ ²	Alexandria Transit Company/ ³		Internal Services Fund (Equipment Replacement Fund) ⁴
Beginning Fund Balance 7/1/2019	\$100,582,830	\$261,978,279	(\$897,881)	Beginning Net Position 7/1/2019	\$28,362,183
Plus FY 2020 Actual Revenues	\$216,964,685	\$283,775,220	\$26,922,962	Plus FY 2020 Actual Revenues	\$5,050,457
Less FY 2020 Actual Expenditures	\$195,265,830	\$145,032,762	\$26,354,284	Less FY 2020 Actual Expenditures	\$5,364,287
Actual Fund Balance 6/30/2020	\$122,281,685	\$400,720,737	(\$329,203)	Actual Net Position 6/30/2020	\$28,048,353
Plus FY 2021 Budgeted Revenues	\$205,797,274	\$205,803,815	\$25,753,231	Plus FY 2021 Revenues	\$951,938
Less FY 2021 Estimated Expenditures	\$205,797,274	\$159,656,974	\$25,424,028	Less FY 2021 Expenditures	\$7,945,542
Projected Fund Balance 6/30/2021	\$122,281,685	\$446,867,578	\$0	Projected Net Assets 6/30/21	\$21,054,749

Sources: City of Alexandria, Virginia, Comprehensive Annual Financial Report, Fiscal Year-ended June 30, 2019; City of Alexandria, Virginia, Operating and Capital Improvement Program, Fiscal Year 2020

1/ The Special Revenue Funds include the Housing Fund, Sewer and Stormwater Funds, Potomac Yard, Other Special Revenue Funds and revenue associated with health and human services.

2/ The Capital Projects Fund Balance of June 30, 2020 is reflected in the Comprehensive Annual Financial Report. The FY 2021 projection is based on prior spending history. Capital projects are multi-year in nature and vary in size and complexity. As a result the predictability of the Capital Projects Fund Balance is limited.

3/ The negative fund balance for the Alexandria Transit Company is the result of timing and cash flow and is expected to be rectified in FY 2021.

4/ The Internal Services Fund FY 2021 Budgeted Revenues reflect a planned contribution holiday to achieve budget savings.